

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

ASSEMBLY BILL NO. 4204

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 4204 without my approval.

This bill would increase the amount of the State earned income tax credit to 25 percent of the federal earned income tax credit (EITC). The federal EITC was established in 1975 to address the greater impact that federal payroll taxes have upon low-income families. New Jersey's EITC is currently 20% of the federal EITC and fully refundable, allowing a family with no State income tax liability to receive the entire EITC as a refund. That is why in total the over 1.5 million New Jersey taxpayers with the lowest 40 percent of income reported on New Jersey tax returns pay no income tax and in fact receive cash payments from the State totaling over \$100 million.

While the State EITC is a program I have supported and continue to support, setting the State EITC at 25% percent of the federal EITC is not affordable and not sustainable. In recognition of that fact, the Legislature passed and I signed into law legislation to make the State EITC equal to 20% of the federal EITC last year.

It is important to note that only 23 states have an EITC credit at all, and of those states only six states offer an EITC credit that is equal to or higher than the 20% of the federal EITC, as is currently the law in New Jersey.

The State's fiscal troubles have been exacerbated through the years by the unwillingness of previous Legislatures and Administrations to set budget priorities and make difficult decisions. Unfortunately, the need to make fiscally responsible decisions impacts good and worthwhile programs such as the EITC.

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Last year's change to the State EITC was a carefully considered change to a worthwhile program. It was a difficult decision to make, but a fiscally responsible one that allowed the State to continue to provide the EITC at a level that the State's taxpayers can sustain. Assembly Bill No. 4204 is a step backward in the State's efforts to achieve structural integrity of the State budget and I will not permit New Jersey to step back onto the path of fiscal irresponsibility.

Accordingly, I herewith return Assembly Bill No. 4204 without my approval.

Respectfully,

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/s/ Chris Christie  
Governor

Attest:

/s/ Jeffrey S. Chiesa

Chief Counsel to the Governor